



STATE OF ARIZONA

JANICE K. BREWER  
GOVERNOR

April 29, 2011

EXECUTIVE OFFICE

The Honorable Ken Bennett  
Secretary of State  
1700 West Washington, 7<sup>th</sup> Floor  
Phoenix, Arizona 85007

RE: Senate Bill 1041 (Arizona quality jobs incentives)

Dear Secretary Bennett,

Today I reluctantly vetoed Senate Bill 1041. I appreciate the desire to attract businesses to Arizona and have made quality job creation a top priority of my administration. As you know, House Bill 2001, the Arizona Competitiveness Package that I signed into law in February of this year, contained income tax incentives designed to attract quality jobs to Arizona, as well as broad-based income and property tax reforms that will address underlying problems in Arizona's tax system and improve Arizona's standing as a business-friendly state.

Senate Bill 1041 is intended to build upon that success. I applaud the sponsor and proponents of this bill, who represent diverse interests in our state, for their work to create a program focused on returns and to improve Arizona's competitive position.

However, the lack of clarity in the tax policy contained in the bill creates several points of concern: its potential to negatively impact local government revenue streams and other property taxpayers, the potential to favor new businesses over those who've weathered the economic storms with us, the potential that entire properties (not just new expansions) could receive favorable tax treatment and the new bureaucracy associated with this proposal make it impossible to secure my signature at this time.

Certainly, some additional clarity could be added by allowing the newly created Arizona Commerce Authority to exercise its rulemaking powers. However, this could make the Authority the ultimate judge and jury for every local economic development project. While I led the charge to create a cutting-edge state entity dedicated to advancing Arizona's competitive position, it was never intended to be the business kingmaker for our state.

The Honorable Ken Bennett

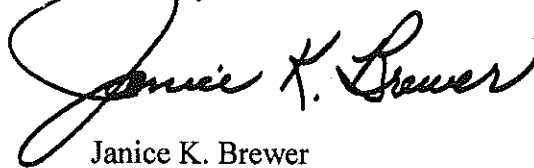
April 29, 2011

Page Two

Unfortunately, the debate surrounding Senate Bill 1041 has revealed some deep divisions within the business community and within local governments regarding the merits of the property tax reclassification incentives found in this legislation. On the brighter side, there is consensus that taxation of business property remains too big a burden in Arizona and must be reformed. To me, this presents a tremendous opportunity for our state to continue to pursue property tax reform and encourage the business climate we know is possible here in our state.

I look forward to working with the sponsor and proponents to refashion a property tax reform package that makes ---and keeps---our state among the top nationally for attracting and growing business.

Sincerely,

A handwritten signature in black ink, appearing to read "Janice K. Brewer". The signature is fluid and cursive, with the first name "Janice" being the most prominent part.

Janice K. Brewer  
Governor

cc: The Honorable Russell Pearce  
The Honorable Andy Tobin  
The Honorable Michele Reagan  
Senate Secretary  
Chief Clerk of the House of Representatives  
Arizona News Service

State of Arizona  
Senate  
Fiftieth Legislature  
First Regular Session  
2011

## SENATE BILL 1041

### AN ACT

AMENDING SECTION 20-224.03, ARIZONA REVISED STATUTES, AS ADDED BY LAWS 2011, SECOND SPECIAL SESSION, CHAPTER 1, SECTION 10; AMENDING SECTION 35-701, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 10, ARIZONA REVISED STATUTES, BY ADDING ARTICLE 2; TRANSFERRING AND RENUMBERING SECTION 41-1525, ARIZONA REVISED STATUTES, AS ADDED BY LAWS 2011, SECOND SPECIAL SESSION, CHAPTER 1, SECTION 45, FOR PLACEMENT IN TITLE 41, CHAPTER 10, ARTICLE 2, ARIZONA REVISED STATUTES, AS ADDED BY THIS ACT, AS SECTION 41-1521; AMENDING SECTION 41-1521, ARIZONA REVISED STATUTES, AS TRANSFERRED AND RENUMBERED BY THIS ACT; AMENDING TITLE 41, CHAPTER 10, ARTICLE 2, ARIZONA REVISED STATUTES, AS ADDED BY THIS ACT, BY ADDING SECTIONS 41-1522, 41-1523 AND 41-1524; AMENDING SECTION 42-12006, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2011, SECOND SPECIAL SESSION, CHAPTER 1, SECTION 79; AMENDING SECTION 43-1074, ARIZONA REVISED STATUTES, AS ADDED BY LAWS 2011, SECOND SPECIAL SESSION, CHAPTER 1, SECTION 95; AMENDING SECTION 43-1161, ARIZONA REVISED STATUTES, AS ADDED BY LAWS 2011, SECOND SPECIAL SESSION, CHAPTER 1, SECTION 107; RELATING TO TAX INCENTIVES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 20-224.03, Arizona Revised Statutes, as added by  
3 Laws 2011, second special session, chapter 1, section 10, is amended to read:

4 20-224.03. Premium tax credit for new employment

5 A. A credit is allowed against the premium tax liability imposed  
6 pursuant to section 20-224, 20-837, 20-1010, 20-1060 or 20-1097.07 for net  
7 increases in full-time employees hired in qualified employment positions as  
8 certified by the Arizona commerce authority pursuant to section ~~41-1525~~  
9 41-1521. A tax credit is not allowed against the portion of the tax payable  
10 to the fire fighters' relief and pension fund pursuant to section 20-224 or  
11 the portion of the tax payable to the public safety personnel retirement  
12 system pursuant to section 20-224.01.

13 B. Subject to subsection E of this section, the amount of the tax  
14 credit is equal to three thousand dollars for each full-time employee hired  
15 for the full taxable year in a qualified employment position in each of the  
16 first three years of employment, but not more than four hundred employees in  
17 any taxable year.

18 C. To qualify for a credit under this section, the insurer and the  
19 employment positions must meet the requirements prescribed by section ~~41-1525~~  
20 41-1521.

21 D. A credit is allowed for employment in the second and third year  
22 only for qualified employment positions for which a credit was claimed and  
23 allowed in the first year.

24 E. The net increase in the number of qualified employment positions is  
25 the lesser of the total number of filled qualified employment positions  
26 created during the taxable year or the difference between the average number  
27 of full-time employees in the current tax year and the average number of  
28 full-time employees during the immediately preceding taxable year. The net  
29 increase in the number of qualified employment positions computed under this  
30 subsection may not exceed four hundred qualified employment positions per  
31 taxpayer each year.

32 F. A taxpayer who claims a credit under section 20-224.04 shall not  
33 claim a credit under this section with respect to the same employment  
34 positions.

35 G. If the allowable tax credit exceeds the state premium tax  
36 liability, the amount of the claim not used as an offset against the state  
37 premium tax liability may be carried forward as a tax credit against  
38 subsequent years' state premium tax liability for a period not exceeding five  
39 taxable years.

40 H. If the business is sold or changes ownership through  
41 reorganization, stock purchase or merger, the new taxpayer may claim first  
42 year credits only for the qualified employment positions that it created and  
43 filled with an eligible employee after the purchase or reorganization was  
44 complete. If a person purchases a taxpayer that had qualified for first or  
45 second year credits or if an insurance business changes ownership through

1 reorganization, stock purchase or merger, the new taxpayer may claim the  
2 second or third year credits if it meets other eligibility requirements of  
3 this section. Credits for which a taxpayer qualified before the changes  
4 described in this subsection are terminated and lost at the time the changes  
5 are implemented.

6 I. An insurer that claims a tax credit against state premium tax  
7 liability is not required to pay any additional retaliatory tax imposed  
8 pursuant to section 20-230 as a result of claiming that tax credit.

9 J. A failure to timely report and certify to the Arizona commerce  
10 authority the information prescribed by section 41-1525 41-1521, subsection D  
11 and in the manner prescribed by section 41-1525 41-1521, subsection E  
12 disqualifies the insurer from the credit under this section. The department  
13 of insurance shall require written evidence of the timely report to the  
14 Arizona commerce authority.

15 K. A tax credit under this section is subject to recovery for a  
16 violation described in section 41-1525 41-1521, subsection G.

17 L. The department may adopt rules necessary for the administration of  
18 this section.

19 Sec. 2. Section 35-701, Arizona Revised Statutes, is amended to read:

20 35-701. Definitions

21 In this chapter, unless the context otherwise requires:

22 1. "Corporation" means any corporation organized as an authority as  
23 provided in this chapter.

24 2. "Designated area" means any area of this state which is either  
25 designated pursuant to section 36-1479 as a slum or blighted area as defined  
26 in section 36-1471, designated by regulation as a pocket of poverty or a  
27 neighborhood strategy area by the United States department of housing and  
28 urban development pursuant to title I of the housing and community  
29 development act of 1977 (P.L. 95-128; 42 United States Code sections 5301  
30 through 5320), as amended, and the department of housing and urban  
31 development act (P.L. 89-174; 42 United States Code section 3535(d)) or  
32 designated by the United States department of housing and urban development  
33 as an empowerment or enterprise zone pursuant to the federal omnibus budget  
34 reconciliation act of 1993 (P.L. 103-66; 26 United States Code section  
35 1391(g)) ~~or an area certified as an enterprise zone pursuant to section~~  
36 ~~41-1524, subsection B.~~

37 3. "Governing body" means:

38 (a) The board or body in which the general legislative powers of the  
39 municipality or the county are vested.

40 (b) The Arizona board of regents with respect to a corporation formed  
41 with the permission of the Arizona board of regents.

42 4. "Income" means gross earnings from wages, salary, commissions,  
43 bonuses or tips from all jobs, net earnings from such person's or family's  
44 own nonfarm business, professional practice or partnership, and net earnings  
45 from such person's or family's own farm. Income includes income, other than

1 earnings, that consists of amounts received from social security or railroad  
2 retirement, interest, dividends, veterans payments, pensions and other  
3 regular payments, public assistance or welfare payments, including aid for  
4 dependent children, old age assistance and aid to the blind or totally  
5 disabled, but excluding separate payments for hospital or other medical care.

6 5. "Manufactured house" means a structure that is manufactured in a  
7 factory after June 15, 1976, that is delivered to a homesite in more than one  
8 section and that is placed on a permanent foundation. The dimensions of the  
9 completed house shall not be less than twenty feet by forty feet, the roof  
10 must be sloping, the siding and roofing must be the same as those found in  
11 site-built houses and the house must be eligible for thirty year real estate  
12 mortgage financing.

13 6. "Municipality" or "county" means the Arizona board of regents or  
14 any incorporated city or town, including charter cities, or any county in  
15 this state in which a corporation may be organized and in which it is  
16 contemplated the corporation will function.

17 7. "Persons of low and moderate income" means, for the purposes of  
18 financing owner-occupied single family dwelling units in areas which the  
19 municipality has found, pursuant to section 36-1479, to be slum or blighted  
20 areas, as defined in section 36-1471, persons and families whose income does  
21 not exceed two and one-half times the median family income of this state. In  
22 all other areas it means persons and families whose income does not exceed  
23 one and one-half times the median family income of this state.

24 8. "Project" means any land, any building or any other improvement and  
25 all real and personal properties, including machinery and equipment whether  
26 or not now in existence or under construction and whether located within or  
27 without this state or the municipality or county approving the formation of  
28 the corporation, that are suitable for any of the following:

29 (a) With respect to a corporation formed with the permission of a  
30 municipality or county other than the Arizona board of regents:

31 (i) Any enterprise for the manufacturing, processing or assembling of  
32 any agricultural or manufactured products.

33 (ii) Any commercial enterprise for the storing, warehousing,  
34 distributing or selling of products of agriculture, mining or industry, or of  
35 processes related thereto, including research and development.

36 (iii) Any office building or buildings for use as corporate or company  
37 headquarters or regional offices or the adaptive use for offices of any  
38 building within this state that is on the national register of historic  
39 places or rehabilitation of residential buildings located in registered  
40 historic neighborhoods.

41 (iv) A health care institution as defined in section 36-401.

42 (v) Residential real property for dwelling units located within the  
43 municipality or county approving the formation of the corporation and, in the  
44 case of a county, whether or not also within a municipality that is within  
45 the county.

1 (vi) Repairing or rehabilitating single family dwelling units or  
2 constructing or repairing residential fences and walls.

3 (vii) Convention or trade show facilities.

4 (viii) Airports, docks, wharves, mass commuting facilities, parking  
5 facilities or storage or training facilities directly related to any of the  
6 facilities as provided in this item.

7 (ix) Sewage or solid waste disposal facilities or facilities for the  
8 furnishing of electric energy, gas or water.

9 (x) Industrial park facilities.

10 (xi) Air or water pollution control facilities.

11 (xii) Any educational institution that is operated by a nonprofit  
12 educational organization that is exempt from taxation under section 501(c)(3)  
13 of the United States internal revenue code and that is not otherwise funded  
14 by state monies, any educational institution or organization that is  
15 established under title 15, chapter 1, article 8 and that is owned by a  
16 nonprofit organization, any private nonsectarian school or any private  
17 nonsectarian organization established for the purpose of funding a joint  
18 technical education school district.

19 (xiii) Research and development facilities.

20 (xiv) Commercial enterprises, including facilities for office,  
21 recreational, hotel, motel and service uses if the facilities authorized by  
22 this item are to be located in a designated area.

23 (xv) A child welfare agency, as defined in section 8-501, owned and  
24 operated by a nonprofit organization.

25 (xvi) A transportation facility constructed or operated pursuant to  
26 title 28, chapter 22.

27 (xvii) A museum operated by a nonprofit organization.

28 (xviii) Facilities owned or operated by a nonprofit organization  
29 described in section 501(c) of the United States internal revenue code of  
30 1986.

31 (xix) New or existing correctional facilities within this state.

32 (b) With respect to a corporation formed with the permission of the  
33 Arizona board of regents, any facility consisting of classrooms, lecture  
34 halls or conference centers or any facility for research and development or  
35 for manufacturing, processing, assembling, marketing, storing and  
36 transferring items developed through or connected with research and  
37 development or in which the results of such research and development are  
38 utilized, but only if the facility is located in an area designated as a  
39 research park by the Arizona board of regents.

40 9. "Property" means any land, improvements thereon, buildings and any  
41 improvements thereto, machinery and equipment of any and all kinds necessary  
42 to a project and any other personal properties deemed necessary in connection  
43 with a project.

1        10. "Research park" means an area of land that has been designated by  
2 the Arizona board of regents as a research park for a university and that, at  
3 the date of designation, is owned by this state or by the Arizona board of  
4 regents.

5        11. "Single family dwelling unit" includes any new, used or  
6 manufactured house that meets the insuring requirements of the federal  
7 housing administration, the veterans administration, or any other insuring  
8 entity of the United States government or any private mortgage insurance or  
9 surety company that is approved by the federal home loan mortgage corporation  
10 or the federal national mortgage association.

11        Sec. 3. Title 41, chapter 10, Arizona Revised Statutes, is amended by  
12 adding article 2, to read:

13                ARTICLE 2. ARIZONA QUALITY JOBS INCENTIVES

14        Sec. 4. Section 41-1525, Arizona Revised Statutes, as added by Laws  
15 2011, second special session, chapter 1, section 45, is transferred and  
16 renumbered for placement in title 41, chapter 10, article 2, Arizona Revised  
17 Statutes, as added by this act, as section 41-1521, and as so renumbered is  
18 amended to read:

19        41-1521. Arizona quality jobs incentives; tax credits for new  
20                                employment; qualifications; definitions

21        A. The owner of a business or an insurer located in this state before  
22 July, 2017 is eligible for income tax credits under section 43-1074 or  
23 43-1161 or an insurance premium tax credit under section 20-224.03 for net  
24 increases in qualified employment positions.

25        B. To qualify under this section, the owner must in the first taxable  
26 year it claims a tax credit:

27                1. Invest at least five million dollars of capital investment and  
28 create at least twenty-five new qualified employment positions within the  
29 exterior boundaries of a city or town that has a population of fifty thousand  
30 persons or more and that is located in a county that has a population of  
31 eight hundred thousand persons or more.

32                2. Invest at least one million dollars of capital investment and  
33 create at least five qualified employment positions in any other location.

34        C. No more than four hundred new jobs per employer qualify for first  
35 year credits each year, and no more than ten thousand new jobs for all  
36 employers qualify for first year credits each year.

37        D. To claim a tax credit, the owner must:

38                1. Certify to the department of revenue or the department of  
39 insurance, as applicable, on or before the due date of the tax return,  
40 including any extensions for the year for which the credit is claimed, in a  
41 form prescribed by the department, including electronic media, information  
42 that the department may require, including the ownership interests of  
43 co-owners of the business if the business is a partnership, limited liability  
44 company or an S corporation OR BENEFICIAL INTEREST IF THE BUSINESS IS A  
45 TRUST, and the following information for each employee in the location:

- 1 (a) The date of initial employment.
- 2 (b) The number of hours worked during the year.
- 3 (c) Whether the position was full-time.
- 4 (d) The employee's annual compensation.
- 5 (e) The total cost of health insurance for the employee and the cost
- 6 paid by the employer.
- 7 (f) Other information required by the department.
- 8 2. Report and certify to the authority the following information, and
- 9 provide supporting documentation, on a form and in a manner approved by the
- 10 authority, and as specified in subsection E of this section, for each year in
- 11 which the taxpayer earned and claimed or used credits or is carrying forward
- 12 amounts from previously earned and claimed credits:
- 13 (a) The business name and mailing address and any other contact
- 14 information requested by the authority.
- 15 (b) The physical address of the business location.
- 16 (c) The average hourly wage and the total amount of compensation paid
- 17 to employees qualified for the credit and for all employees.
- 18 (d) The total number of qualified employment positions and the amount
- 19 of income tax or premium tax credits qualified for in the taxable year.
- 20 (e) The estimated amount of tax credits to be used in the taxable year
- 21 to offset tax liability.
- 22 (f) The estimated amount of tax credits to be available for
- 23 carryforward in the taxable year and the year in which the credits expire.
- 24 (g) The number of jobs and the amount of credits earned and claimed on
- 25 the prior year's tax return.
- 26 (h) The amount of credits used to offset tax liabilities on the prior
- 27 year's tax return.
- 28 (i) The amount of credits available for carryforward as reported on
- 29 the prior year's tax return and the year the credits expire.
- 30 (j) Capital investment made during the taxable year and the preceding
- 31 taxable year.
- 32 (k) Other information necessary for the management and reporting of
- 33 the incentives under this section.
- 34 3. For any year in which the taxpayer is claiming first year credits,
- 35 report and certify the following additional information and provide
- 36 supporting documentation to the authority on a form and in a manner approved
- 37 by the authority, and as specified in subsection E of this section:
- 38 (a) That the increase in the number of qualified employment positions
- 39 for which credit is sought is the least of:
- 40 (i) The total number of filled qualified employment positions created
- 41 at the location during the taxable year.
- 42 (ii) The difference between the average number of full-time employees
- 43 in the current taxable year and the average number of full-time employees
- 44 during the immediately preceding taxable year.

1 (iii) Four hundred qualified employment positions per taxpayer each  
2 year.

3 (b) That all employees filling a qualified employment position were  
4 employed for at least ninety days during the first taxable year.

5 (c) That none of the employees filling qualified employment positions  
6 were employed by the taxpayer during the twelve months before the current  
7 date of hire except for those relocating to this state.

8 (d) That all employees for whom second and third year credits are  
9 claimed are in qualified employment positions for which first year credits  
10 were allowed and claimed by the taxpayer on the original first and second  
11 year tax returns.

12 (e) That all employees for whom credits are taken performed their job  
13 duties primarily at the designated locations of the business.

14 E. To qualify for first year credits, the report and certification  
15 prescribed by subsection D, paragraphs 2 and 3 of this section must be filed  
16 with the authority by the earlier of six months after the end of the taxable  
17 year in which the qualified employment positions were created or by the date  
18 the tax return is filed for the taxable year in which the qualified  
19 employment positions were created. To qualify for second year credits, the  
20 report and certification prescribed by subsection D, paragraph 2 of this  
21 section must be filed with the authority by the earlier of six months after  
22 the end of the taxable year or the date the tax return is filed for the  
23 taxable year in which the second year credits are allowable. To qualify for  
24 third year credits, the report and certification prescribed by subsection D,  
25 paragraph 2 of this section must be filed with the authority by the earlier  
26 of six months after the end of the taxable year or the date the tax return is  
27 filed for the taxable year in which the third year credits are allowable.

28 F. Any information submitted to the authority under subsection D,  
29 paragraph 2, subdivisions (e) through (j) of this section is exempt from  
30 title 39, chapter 1, article 2 and considered to be confidential and is not  
31 subject to disclosure except:

32 1. To the extent that the person or organization that provided the  
33 information consents to the disclosure.

34 2. To the department of revenue for use in tax administration.

35 G. Documents filed with the authority, the department of insurance and  
36 the department of revenue under subsection D of this section shall contain  
37 either a sworn statement or certification, signed by an officer of the  
38 company under penalty of perjury, that the information contained is true and  
39 correct according to the best belief and knowledge of the person submitting  
40 the information after a reasonable investigation of the facts. If the  
41 document contains information that is materially false, the taxpayer is  
42 ineligible for the tax credits described under subsection A of this section  
43 and is subject to recovery of the amount of tax credits allowed in preceding  
44 taxable years based on the false information, plus penalties and interest.

1 H. The authority may make site visits to a taxpayer's facilities if it  
2 is necessary to further document or clarify reported information. The  
3 taxpayer must freely provide the access.

4 I. The authority by rule may prescribe additional reporting  
5 requirements for taxpayers who claim tax credits pursuant to this section.

6 ~~J. On or before September 30 of each year, the authority shall~~  
7 ~~transmit a report to the governor, the president of the senate, the speaker~~  
8 ~~of the house of representatives and the chairpersons of the senate finance~~  
9 ~~committee and the house of representatives ways and means committee and~~  
10 ~~provide a copy of the report to the secretary of state. The report shall~~  
11 ~~include the following information:~~

12 ~~1. The business names, locations, number of employees and amount of~~  
13 ~~compensation paid to employees qualifying for income tax credits as reported~~  
14 ~~to the authority.~~

15 ~~2. The amount of capital investment, made during the preceding fiscal~~  
16 ~~year and cumulatively.~~

17 ~~3. The total amount of income tax credits allowed for the preceding~~  
18 ~~taxable year and the number of qualified employment positions for which~~  
19 ~~credits were claimed pursuant to sections 43-1074 and 43-1161.~~

20 K. J. For the purposes of this section:

21 1. "Capital investment" means an expenditure to acquire, lease or  
22 improve property that is used in operating a business, including land,  
23 buildings, machinery and fixtures.

24 2. "LOCATION" MEANS A SINGLE PARCEL OR CONTIGUOUS PARCELS OF OWNED OR  
25 LEASED LAND IN THIS STATE, THE STRUCTURES AND PERSONAL PROPERTY CONTAINED ON  
26 THE LAND OR ANY PART OF THE STRUCTURES OCCUPIED BY THE OWNER.

27 ~~2.~~ 3. "Primarily" means more than seventy-five per cent of the square  
28 footage of the location or locations.

29 ~~3.~~ 4. "Qualified employment position" means employment that meets the  
30 following requirements:

31 (a) The position consists of at least one thousand seven hundred fifty  
32 hours per year of full-time permanent employment.

33 (b) The job duties are performed primarily at the location or  
34 locations of the business.

35 (c) The employment provides health insurance coverage for the employee  
36 for which the employer pays at least sixty-five per cent of the premium or  
37 membership cost. If the business is self-insured, the employer pays at least  
38 sixty-five per cent of a predetermined fixed cost per employee for an  
39 insurance program that is payable whether or not the employee has filed  
40 claims.

41 (d) The employer pays compensation at least equal to the median wage  
42 by county as computed annually by the authority.

1       Sec. 5. Title 41, chapter 10, article 2, Arizona Revised Statutes, as  
2 added by this act, is amended by adding sections 41-1522, 41-1523 and  
3 41-1524, to read:

4       41-1522. Certification for property tax classification:  
5               definition

6       A. THROUGH JUNE 30, 2017, THE ARIZONA COMMERCE AUTHORITY SHALL  
7 ANNUALLY CERTIFY BUSINESSES THAT QUALIFY FOR PROPERTY TAX INCENTIVES UNDER  
8 THIS SECTION. TO QUALIFY UNDER THIS SECTION:

9       1. THE BUSINESS MUST MEET THE REQUIREMENTS OF SECTION 41-1521,  
10 SUBSECTION B.

11       2. THE BUSINESS MUST OBTAIN AND SUBMIT TO THE AUTHORITY A RESOLUTION  
12 OF THE GOVERNING BOARD OF THE CITY OR TOWN IN WHICH THE BUSINESS WILL BE  
13 LOCATED, OR OF THE COUNTY BOARD OF SUPERVISORS IF THE BUSINESS WILL NOT BE  
14 LOCATED IN A CITY OR TOWN. THE RESOLUTION MUST ACKNOWLEDGE THAT THE BUSINESS  
15 INTENDS TO MEET THE REQUIREMENTS OF THIS SECTION AND CONSENT TO THE REDUCED  
16 ASSESSED VALUATION OF THE TAXABLE PROPERTY.

17       B. THE AUTHORITY SHALL NOT CERTIFY ANY BUSINESS FOR QUALIFICATION FOR  
18 PROPERTY TAX INCENTIVES AFTER JUNE 30, 2017 EXCEPT AS PROVIDED BY SUBSECTION  
19 F OF THIS SECTION. HOWEVER, CERTIFICATION UNDER THIS SECTION IS VALID FOR  
20 TEN YEARS, INCLUDING AFTER 2017, SUBJECT TO ANNUAL RECERTIFICATION IF THE  
21 BUSINESS CONTINUES TO MEET THE OTHER ELIGIBILITY REQUIREMENTS.

22       C. IN ORDER TO BE ANNUALLY RECERTIFIED PURSUANT TO SUBSECTION B OF  
23 THIS SECTION, A BUSINESS MUST CONTINUE TO MEET ALL THE ELIGIBILITY  
24 REQUIREMENTS OF THIS SECTION AND MUST ANNUALLY REPORT THE FOLLOWING AND  
25 PROVIDE SUPPORTING DOCUMENTATION TO THE AUTHORITY ON A FORM AND IN A MANNER  
26 APPROVED BY THE AUTHORITY:

27       1. THE BUSINESS NAME AND MAILING ADDRESS AND ANY OTHER CONTACT  
28 INFORMATION REQUESTED BY THE AUTHORITY.

29       2. THE PHYSICAL ADDRESS OF THE BUSINESS LOCATION.

30       3. THE ASSESSOR'S PARCEL NUMBER OF REAL PROPERTY TO WHICH THE CLASS  
31 SIX ASSESSMENT CLASSIFICATION WILL APPLY.

32       4. IF AVAILABLE, THE ASSESSOR'S ACCOUNT NUMBER FOR PERSONAL PROPERTY  
33 TO WHICH THE CLASS SIX ASSESSMENT CLASSIFICATION WILL APPLY.

34       5. FOR THE LOCATION, THE GROSS RECEIPTS, GROSS PAYROLL AND AVERAGE  
35 HOURLY WAGE PAID TO EMPLOYEES FOR THE PRECEDING TAX YEAR.

36       6. DOCUMENTATION THAT ESTABLISHES THE TYPE AND AMOUNT OF BUSINESS  
37 ACTIVITY CONDUCTED AT THE LOCATION.

38       7. OWNERSHIP AND FULL CASH VALUE OF REAL AND PERSONAL PROPERTY TO BE  
39 CERTIFIED.

40       8. CHANGES IN LOCATION, OWNERSHIP AND OPERATIONS OF THE BUSINESS IN  
41 THE IMMEDIATELY PRECEDING YEAR.

42       9. THE AVERAGE NUMBER OF FULL-TIME EMPLOYEES AT THE LOCATION FOR THE  
43 IMMEDIATELY PRECEDING YEAR.

44       10. OTHER INFORMATION NECESSARY FOR THE MANAGEMENT OF THESE PROPERTY  
45 TAX INCENTIVES AS DETERMINED BY THE AUTHORITY.

1 D. TO RECEIVE CLASSIFICATION AS CLASS SIX PROPERTY FOR TAX PURPOSES,  
2 THE CERTIFIED BUSINESS MUST SUBMIT A COPY OF THE AUTHORITY'S INITIAL  
3 CERTIFICATION, EACH ANNUAL RECERTIFICATION AND A WRITTEN REQUEST TO CLASSIFY  
4 THE PROPERTY TO THE COUNTY ASSESSOR OF THE COUNTY IN WHICH THE PROPERTY IS  
5 LOCATED ON OR BEFORE DECEMBER 10 OF EACH YEAR.

6 E. A BUSINESS SHALL SUBMIT ITS APPLICATION FOR INITIAL CERTIFICATION  
7 OR ANNUAL RECERTIFICATION TO THE AUTHORITY NOT LATER THAN OCTOBER 1 OF EACH  
8 YEAR. THE AUTHORITY SHALL NOTIFY THE APPROPRIATE COUNTY ASSESSORS OF ALL  
9 QUALIFIED PROPERTIES LOCATED IN THE ASSESSOR'S COUNTY NOT LATER THAN DECEMBER  
10 1 OF EACH YEAR.

11 F. IF A BUSINESS MOVES FROM THE ORIGINALLY CERTIFIED LOCATION, IT  
12 LOSES ITS ELIGIBILITY. THE BUSINESS MAY APPLY FOR CERTIFICATION AT A NEW  
13 LOCATION FOR THE REMAINDER OF ITS TEN YEARS IF IT MEETS THE MINIMUM  
14 INVESTMENT REQUIREMENTS IN FIXED ASSETS THAT WERE NOT MOVED FROM THE PRIOR  
15 LOCATION, MEETS ALL OTHER ELIGIBILITY REQUIREMENTS OF THIS SECTION AND HAS  
16 NOT REACHED THE TEN YEAR ELIGIBILITY LIMIT. FOR THE PURPOSES OF THIS  
17 SUBSECTION, "FIXED ASSETS" MEANS PROPERTY THAT IS USED IN OPERATING A  
18 BUSINESS, SUCH AS FURNITURE, LAND, BUILDINGS AND MACHINERY, AND THAT IS NOT  
19 ORDINARILY CONVERTED INTO CASH AFTER IT IS DECLARED A FIXED ASSET.

20 G. IF A CERTIFIED BUSINESS IS PURCHASED BY ANOTHER ENTITY OR CHANGES  
21 BY MORE THAN TWENTY PER CENT OF THE OWNERSHIP INTEREST THROUGH  
22 REORGANIZATION, STOCK PURCHASE OR MERGER, THE CERTIFICATION IS TERMINATED.  
23 THE NEW BUSINESS MAY APPLY FOR CERTIFICATION ACCORDING TO ELIGIBILITY  
24 REQUIREMENTS OF THIS SECTION.

25 H. THE AUTHORITY SHALL NOTIFY THE DEPARTMENT OF REVENUE AND THE COUNTY  
26 ASSESSOR IF A CERTIFIED BUSINESS CLOSES, MOVES OR FAILS TO MAINTAIN ITS  
27 ELIGIBILITY, AND THE ASSESSOR SHALL MAKE THE APPROPRIATE CHANGES TO THE  
28 CLASSIFICATION OF THE PROPERTY ON TAX ROLL.

29 I. THE AUTHORITY MAY MAKE SITE VISITS TO A TAXPAYER'S FACILITIES IF IT  
30 IS NECESSARY TO FURTHER DOCUMENT OR CLARIFY REPORTED INFORMATION. THE  
31 TAXPAYER MUST FREELY PROVIDE THE ACCESS.

32 J. DOCUMENTS FILED WITH THE AUTHORITY PURSUANT TO THIS SECTION SHALL  
33 CONTAIN EITHER A SWORN STATEMENT OR CERTIFICATION, SIGNED BY AN OFFICER OF  
34 THE CORPORATION UNDER PENALTY OF PERJURY, THAT THE INFORMATION CONTAINED IS  
35 TRUE AND CORRECT ACCORDING TO THE BEST BELIEF AND KNOWLEDGE OF THE PERSON  
36 SUBMITTING THE INFORMATION AFTER A REASONABLE INVESTIGATION OF THE FACTS. IF  
37 THE DOCUMENT CONTAINS INFORMATION THAT IS MATERIALLY FALSE, THE TAXPAYER IS  
38 INELIGIBLE FOR THE TAX BENEFITS UNDER THIS SECTION AND IS SUBJECT TO RECOVERY  
39 OF THE AMOUNT OF TAX BENEFITS ALLOWED IN PRECEDING YEARS BASED ON THE FALSE  
40 INFORMATION, INCLUDING PENALTIES AND INTEREST.

41 K. THE AUTHORITY BY RULE MAY PRESCRIBE ADDITIONAL REPORTING  
42 REQUIREMENTS FOR PERSONS WHO CLAIM A TAX BENEFIT PURSUANT TO THIS SECTION.

43 L. FOR THE PURPOSES OF THIS SECTION, "LOCATION" HAS THE SAME MEANING  
44 PRESCRIBED IN SECTION 41-1521.

1       41-1523. Duties of authority

2       THE AUTHORITY SHALL ADMINISTER THIS ARTICLE AND SHALL:

3       1. MONITOR THE IMPLEMENTATION AND OPERATION OF THIS ARTICLE AND  
4 CONTINUALLY EVALUATE THE PROGRESS MADE IN ATTRACTING NEW BUSINESSES.

5       2. ASSIST AN EMPLOYER OR PROSPECTIVE EMPLOYER TO OBTAIN THE BENEFITS  
6 OF ANY INCENTIVE OR INDUCEMENT AUTHORIZED BY LAW.

7       3. SUBMIT AN ANNUAL WRITTEN REPORT, EVALUATING THE EFFECTIVENESS OF  
8 THE INCENTIVES AND PRESENTING ANY SUGGESTIONS TO IMPROVE THE INCENTIVES, TO  
9 THE GOVERNOR NO LATER THAN MARCH 1 OF EACH YEAR.

10      4. ADOPT RULES AS NECESSARY TO ADMINISTER THIS ARTICLE.

11      5. PROVIDE INFORMATION REGARDING THE BUSINESS INCENTIVES ON REQUEST  
12 AND CONDUCT INFORMATIONAL AND INSTRUCTIONAL SEMINARS AND TRAINING.

13      41-1524. Annual reports; Arizona commerce authority; department  
14               of revenue

15      A. ON OR BEFORE SEPTEMBER 30 OF EACH YEAR, THE ARIZONA COMMERCE  
16 AUTHORITY SHALL TRANSMIT A REPORT TO THE GOVERNOR, THE PRESIDENT OF THE  
17 SENATE, THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND THE CHAIRPERSONS OF  
18 THE SENATE FINANCE COMMITTEE AND THE HOUSE OF REPRESENTATIVES WAYS AND MEANS  
19 COMMITTEE, OR THEIR SUCCESSOR COMMITTEES, AND SHALL PROVIDE A COPY OF THE  
20 REPORT TO THE SECRETARY OF STATE. THE REPORT SHALL CONTAIN THE FOLLOWING  
21 INFORMATION:

22      1. THE BUSINESS NAMES AND LOCATIONS, NUMBER OF EMPLOYEES AND AMOUNT OF  
23 COMPENSATION PAID TO EMPLOYEES QUALIFYING FOR INCOME TAX CREDITS AS REPORTED  
24 TO THE AUTHORITY PURSUANT TO SECTION 41-1521.

25      2. THE AMOUNT OF CAPITAL INVESTMENT MADE DURING THE PRECEDING FISCAL  
26 YEAR AND CUMULATIVELY.

27      3. THE NUMBER OF BUSINESSES CERTIFIED FOR PROPERTY TAX INCENTIVES  
28 PURSUANT TO SECTION 41-1522 IN THE PRECEDING FISCAL YEAR AND CUMULATIVELY,  
29 AND FOR EACH SUCH BUSINESS:

30          (a) THE NAME AND LOCATION.

31          (b) THE NUMBER OF EMPLOYEES.

32          (c) THE FULL CASH VALUE OF THE PROPERTY QUALIFYING FOR CLASSIFICATION  
33 AS CLASS SIX PURSUANT TO SECTION 42-12006.

34      B. ON OR BEFORE SEPTEMBER 30 OF EACH YEAR, THE DEPARTMENT OF REVENUE  
35 SHALL TRANSMIT A REPORT TO THE GOVERNOR, THE PRESIDENT OF THE SENATE, THE  
36 SPEAKER OF THE HOUSE OF REPRESENTATIVES AND THE CHAIRPERSONS OF THE SENATE  
37 FINANCE COMMITTEE AND THE HOUSE OF REPRESENTATIVES WAYS AND MEANS COMMITTEE,  
38 OR THEIR SUCCESSOR COMMITTEES, AND SHALL PROVIDE A COPY OF THE REPORT TO THE  
39 SECRETARY OF STATE. THE REPORT SHALL CONTAIN THE FOLLOWING INFORMATION:

40      1. THE FULL CASH VALUE AND ASSESSED VALUATION OF PROPERTY CLASSIFIED  
41 AS CLASS SIX PURSUANT TO SECTION 42-12006, PARAGRAPH 9 AND THE ASSESSED  
42 VALUATION OF THAT PROPERTY IF IT WAS NOT CLASSIFIED AS CLASS SIX.

43      2. THE FISCAL IMPACT ON EACH TAXING JURISDICTION FOR THE CURRENT TAX  
44 YEAR OF CLASSIFYING PROPERTY AS CLASS SIX RATHER THAN IN THE CLASSIFICATION  
45 IN WHICH IT WOULD OTHERWISE BE CLASSIFIED.

1           3. THE TOTAL DOLLAR AMOUNT OF INCOME TAX CREDITS ALLOWED FOR THE  
2 PRECEDING TAXABLE YEAR PURSUANT TO SECTIONS 43-1074 AND 43-1161.

3           Sec. 6. Section 42-12006, Arizona Revised Statutes, as amended by Laws  
4 2011, second special session, chapter 1, section 79, is amended to read:

5           42-12006. Class six property

6           For purposes of taxation, class six is established consisting of:

7           1. Noncommercial historic property as defined in section 42-12101 and  
8 valued at full cash value.

9           2. Real and personal property that is located within the area of a  
10 foreign trade zone or subzone established under 19 United States Code section  
11 81 and title 44, chapter 18, that is activated for foreign trade zone use by  
12 the district director of the United States customs service pursuant to  
13 19 Code of Federal Regulations section 146.6 and that is valued at full cash  
14 value. Property that is classified under this paragraph shall not thereafter  
15 be classified under paragraph 6 of this section.

16           3. Real and personal property and improvements that are located in a  
17 military reuse zone that is established under title 41, chapter 10, article 3  
18 and that is devoted to providing aviation or aerospace services or to  
19 manufacturing, assembling or fabricating aviation or aerospace products,  
20 valued at full cash value and subject to the following terms and conditions:

21           (a) Property may not be classified under this paragraph for more than  
22 five tax years.

23           (b) Any new addition or improvement to property already classified  
24 under this paragraph qualifies separately for classification under this  
25 paragraph for not more than five tax years.

26           (c) If a military reuse zone is terminated, the property in that zone  
27 that was previously classified under this paragraph shall be reclassified as  
28 prescribed by this article.

29           (d) Property that is classified under this paragraph shall not  
30 thereafter be classified under paragraph 6 of this section.

31           4. Real and personal property and improvements or a portion of such  
32 property comprising an environmental technology manufacturing, producing or  
33 processing facility that qualified under section 41-1514.02, valued at full  
34 cash value and subject to the following terms and conditions:

35           (a) Property shall be classified under this paragraph for twenty tax  
36 years from the date placed in service.

37           (b) Any addition or improvement to property already classified under  
38 this paragraph qualifies separately for classification under this subdivision  
39 for an additional twenty tax years from the date placed in service.

40           (c) After revocation of certification under section 41-1514.02,  
41 property that was previously classified under this paragraph shall be  
42 reclassified as prescribed by this article.

43           (d) Property that is classified under this paragraph shall not  
44 thereafter be classified under paragraph 6 of this section.

1        5. That portion of real and personal property that is used on or after  
2 January 1, 1999 specifically and solely for remediation of the environment by  
3 an action that has been determined to be reasonable and necessary to respond  
4 to the release or threatened release of a hazardous substance by the  
5 department of environmental quality pursuant to section 49-282.06 or pursuant  
6 to its corrective action authority under rules adopted pursuant to section  
7 49-922, subsection B, paragraph 4 or by the United States environmental  
8 protection agency pursuant to the national contingency plan (40 Code of  
9 Federal Regulations part 300) and that is valued at full cash value.  
10 Property that is not being used specifically and solely for the remediation  
11 objectives described in this paragraph shall not be classified under this  
12 paragraph. For the purposes of this paragraph, "remediation of the  
13 environment" means one or more of the following actions:

14        (a) Monitoring, assessing or evaluating the release or threatened  
15 release.

16        (b) Excavating, removing, transporting, treating and disposing of  
17 contaminated soil.

18        (c) Pumping and treating contaminated water.

19        (d) Treatment, containment or removal of contaminants in groundwater  
20 or soil.

21        6. Real and personal property and improvements constructed or  
22 installed from and after December 31, 2004 through December 31, 2010 and  
23 owned by a qualified business under section 41-1516 and used solely for the  
24 purpose of harvesting, transporting or the initial processing of qualifying  
25 forest products removed from qualifying projects as defined in section  
26 41-1516. The classification under this paragraph is subject to the following  
27 terms and conditions:

28        (a) Property may be initially classified under this paragraph only in  
29 valuation years 2005 through 2010.

30        (b) Property may not be classified under this paragraph for more than  
31 five years.

32        (c) Any new addition or improvement, constructed or installed from and  
33 after December 31, 2004 through December 31, 2010, to property already  
34 classified under this paragraph qualifies separately for classification and  
35 assessment under this paragraph for not more than five years.

36        (d) Property that is classified under this paragraph shall not  
37 thereafter be classified under paragraph 2, 3 or 4 of this section.

38        7. Real and personal property and improvements to the property that  
39 are used specifically and solely to manufacture from and after December 31,  
40 2006 through December 31, 2016 biodiesel fuel that is one hundred per cent  
41 biodiesel and its by-products and that are valued at full cash value. This  
42 paragraph applies only to the portion of property that is used specifically  
43 for manufacturing and processing one hundred per cent biodiesel fuel, or its  
44 related by-products, from raw feedstock obtained from off-site sources,  
45 including necessary on-site storage facilities that are intrinsically

1 associated with the manufacturing process. Any other commercial or  
2 industrial use disqualifies the entire property from classification under  
3 this paragraph.

4 8. Real and personal property and improvements that are certified  
5 pursuant to section 41-1511, subsection C, paragraph 2 and that are used for  
6 renewable energy manufacturing or headquarters operations as provided by  
7 section 42-12057. This paragraph applies only to property that is used in  
8 manufacturing and headquarters operations of renewable energy companies,  
9 including necessary on-site research and development, testing and storage  
10 facilities that are associated with the manufacturing process. Up to ten per  
11 cent of the aggregate full cash value of the property may be derived from  
12 uses that are ancillary to and intrinsically associated with the  
13 manufacturing process or headquarters operation. Any additional ancillary  
14 property is not qualified for classification under this paragraph. No new  
15 properties may be classified pursuant to this paragraph from and after  
16 December 31, 2014. Classification under this paragraph is limited to the  
17 time periods determined by the Arizona commerce authority pursuant to section  
18 41-1511, subsection C, paragraph 2, subdivision (a) or (b). Property that is  
19 classified under this paragraph shall not thereafter be classified under any  
20 other paragraph of this section.

21 9. PERSONAL PROPERTY AND REAL PROPERTY IMPROVEMENTS THAT ARE  
22 CONSTRUCTED OR UNDERGO A MAJOR RENOVATION FROM AND AFTER DECEMBER 31, 2011  
23 THROUGH JUNE 30, 2017 AND THAT ARE OWNED OR USED BY A BUSINESS THAT MEETS THE  
24 REQUIREMENTS OF SECTION 41-1521 AND IS CERTIFIED BY THE ARIZONA COMMERCE  
25 AUTHORITY PURSUANT TO SECTION 41-1522. PROPERTY MAY NOT BE CLASSIFIED UNDER  
26 THIS PARAGRAPH FOR MORE THAN TEN TAX YEARS. PROPERTY THAT HAS BEEN  
27 CLASSIFIED UNDER THIS PARAGRAPH SHALL NOT THEREAFTER BE CLASSIFIED UNDER ANY  
28 OTHER PROVISION OF THIS SECTION.

29 Sec. 7. Section 43-1074, Arizona Revised Statutes, as added by Laws  
30 2011, second special session, chapter 1, section 95, is amended to read:

31 43-1074. Credit for new employment

32 A. A credit is allowed against the taxes imposed by this title for net  
33 increases in full-time employees hired in qualified employment positions as  
34 certified by the Arizona commerce authority pursuant to section ~~41-1525~~  
35 41-1521.

36 B. Subject to subsection E of this section, the amount of the credit  
37 is equal to three thousand dollars for each full-time employee hired for the  
38 full taxable year in a qualified employment position in each of the first  
39 three years of employment, but not more than four hundred employees in any  
40 taxable year.

41 C. To qualify for a credit under this section, the taxpayer and the  
42 employment positions must meet the requirements prescribed by section ~~41-1525~~  
43 41-1521.

1 D. A credit is allowed for employment in the second and third year  
2 only for qualified employment positions for which a credit was claimed and  
3 allowed in the first year.

4 E. The net increase in the number of qualified employment positions is  
5 the lesser of the total number of filled qualified employment positions  
6 created during the taxable year or the difference between the average number  
7 of full-time employees in the current tax year and the average number of  
8 full-time employees during the immediately preceding taxable year. The net  
9 increase in the number of qualified employment positions computed under this  
10 subsection may not exceed four hundred qualified employment positions per  
11 taxpayer each year.

12 F. A taxpayer who claims a credit under section 43-1077, 43-1079 or  
13 43-1083.01 shall not claim a credit under this section with respect to the  
14 same employment positions.

15 G. If the allowable tax credit exceeds the income taxes otherwise due  
16 on the claimant's income, or if there are no state income taxes due on the  
17 claimant's income, the amount of the claim not used as an offset against the  
18 income taxes may be carried forward as a tax credit against subsequent years'  
19 income tax liability for a period not exceeding five taxable years.

20 H. Co-owners of a business, including partners in a partnership,  
21 TRUSTS AND BENEFICIARIES OF A TRUST and shareholders of an S corporation, as  
22 defined in section 1361 of the internal revenue code, may each claim only the  
23 pro rata share of the credit allowed under this section based on the  
24 ownership interest. The total of the credits allowed all such owners of the  
25 business may not exceed the amount that would have been allowed for a sole  
26 owner of the business.

27 I. If the business is sold or changes ownership through  
28 reorganization, stock purchase or merger, the new taxpayer may claim first  
29 year credits only for the qualified employment positions that it created and  
30 filled with an eligible employee after the purchase or reorganization was  
31 complete. If a person purchases a taxpayer that had qualified for first or  
32 second year credits or changes ownership through reorganization, stock  
33 purchase or merger, the new taxpayer may claim the second or third year  
34 credits if it meets other eligibility requirements of this section. Credits  
35 for which a taxpayer qualified before the changes described in this  
36 subsection are terminated and lost at the time the changes are implemented.

37 J. A failure to timely report and certify to the Arizona commerce  
38 authority the information prescribed by section ~~41-1525~~ 41-1521, subsection  
39 D, and in the manner prescribed by section ~~41-1525~~ 41-1521, subsection E  
40 disqualifies the taxpayer from the credit under this section. The department  
41 shall require written evidence of the timely report to the Arizona commerce  
42 authority.

43 K. A tax credit under this section is subject to recovery for a  
44 violation described in section ~~41-1525~~ 41-1521, subsection G.

1       Sec. 8. Section 43-1161, Arizona Revised Statutes, as added by Laws  
2 2011, second special session, chapter 1, section 107, is amended to read:

3       43-1161. Credit for new employment

4       A. A credit is allowed against the taxes imposed by this title for net  
5 increases in full-time employees hired in qualified employment positions as  
6 certified by the Arizona commerce authority pursuant to section 41-1525  
7 41-1521.

8       B. Subject to subsection E of this section, the amount of the credit  
9 is equal to three thousand dollars for each full-time employee hired for the  
10 full taxable year in a qualified employment position in each of the first  
11 three years of employment, but not more than four hundred employees in any  
12 taxable year.

13       C. To qualify for a credit under this section, the taxpayer and the  
14 employment positions must meet the requirements prescribed by section 41-1525  
15 41-1521.

16       D. A credit is allowed for employment in the second and third year  
17 only for qualified employment positions for which a credit was claimed and  
18 allowed in the first year.

19       E. The net increase in the number of qualified employment positions is  
20 the lesser of the total number of filled qualified employment positions  
21 created during the taxable year or the difference between the average number  
22 of full-time employees in the current tax year and the average number of  
23 full-time employees during the immediately preceding taxable year. The net  
24 increase in the number of qualified employment positions computed under this  
25 subsection may not exceed four hundred qualified employment positions per  
26 taxpayer each year.

27       F. A taxpayer who claims a credit under section 43-1164.01, 43-1165 or  
28 43-1167 shall not claim a credit under this section with respect to the same  
29 employment positions.

30       G. If the allowable tax credit exceeds the income taxes otherwise due  
31 on the claimant's income, or if there are no state income taxes due on the  
32 claimant's income, the amount of the claim not used as an offset against the  
33 income taxes may be carried forward as a tax credit against subsequent years'  
34 income tax liability for a period not exceeding five taxable years.

35       H. Co-owners of a business, including corporate partners in a  
36 partnership, TRUSTS AND BENEFICIARIES OF A TRUST may each claim only the pro  
37 rata share of the credit allowed under this section based on the ownership  
38 interest. The total of the credits allowed all such owners of the business  
39 may not exceed the amount that would have been allowed for a sole owner of  
40 the business.

41       I. If the business is sold or changes ownership through  
42 reorganization, stock purchase or merger, the new taxpayer may claim first  
43 year credits only for the qualified employment positions that it created and  
44 filled with an eligible employee after the purchase or reorganization was  
45 complete. If a person purchases a taxpayer that had qualified for first or

1 second year credits or changes ownership through reorganization, stock  
2 purchase or merger, the new taxpayer may claim the second or third year  
3 credits if it meets other eligibility requirements of this section. Credits  
4 for which a taxpayer qualified before the changes described in this  
5 subsection are terminated and lost at the time the changes are implemented.

6 J. A failure to timely report and certify to the Arizona commerce  
7 authority the information prescribed by section ~~41-1525~~ 41-1521, subsection  
8 D, and in the manner prescribed by section ~~41-1525~~ 41-1521, subsection E  
9 disqualifies the taxpayer from the credit under this section. The department  
10 shall require written evidence of the timely report to the Arizona commerce  
11 authority.

12 K. A tax credit under this section is subject to recovery for a  
13 violation described in section ~~41-1525~~ 41-1521, subsection G.

Passed the House April 14, 20 11,

by the following vote: 44 Ayes,

12 Nays, 4 Not Voting

[Signature]  
Speaker of the House

Cheryl Laube  
Chief Clerk of the House

Passed the Senate March 3, 20 11,

by the following vote: 24 Ayes,

5 Nays, 1 Not Voting

[Signature]  
President of the Senate

[Signature]  
Secretary of the Senate

**EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR**

This Bill was received by the Governor this

\_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_,

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Secretary to the Governor

Approved this \_\_\_\_\_ day of

\_\_\_\_\_, 20\_\_\_\_,

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Governor of Arizona

**S.B. 1041**

**EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE**

This Bill was received by the Secretary of State

this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_,

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

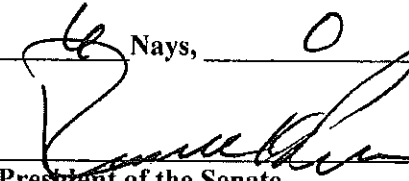
\_\_\_\_\_  
Secretary of State

SENATE CONCURS IN HOUSE  
AMENDMENTS AND FINAL PASSAGE

Passed the Senate April 18, 20 11

by the following vote: 24 Ayes,

6 Nays, 0 Not Voting

  
President of the Senate

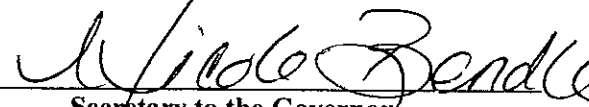
  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill received by the Governor this

19 day of April, 20 11

at 8:15 o'clock A. M.

  
Secretary to the Governor

Approved this \_\_\_\_\_ day of

**VETO**  
at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_

S.B. 1041

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Secretary of State